

Message Text

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ACTION SS-30

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 332

C O N F I D E N T I A L GEORGETOWN 1695

EXDIS

E.O. 11652: GDS

TAGS: EMIN EINV PFOR GY

SUBJECT: ACTIVITIES OF USAID MISSION IN LIGHT OF GOG

ANNOUNCEMENT ON BAUXITE PRODUCTION LEVY

REF: (A) GEORGETOWN 1693, (B) GEORGETOWN 1689

ARA FOR SHLAUDEMAN AND BURKE

1. WITH ARRIVAL OF USAID DIRECTOR MUDGE I HAVE TAKEN POSITION THAT UNTIL GOG TOOK FORMAL ACTION WHICH WOULD PRECIPITATE CONFRONTATION WITH USG ON REYNOLDS NATIONALIZATION/TAX ISSUES, WE SHOULD CONTINUE WITH NORMAL AID ACTIVITIES, INCLUDING THOSE RELATED TO FUTURE LOAN PROJECTS. WE HAVE, THEREFORE, CONCURRED IN DISPATCH OF AID/W TECHNICAL PERSONNEL TO REVIEW NATHAN STUDY WITH GOG OFFICIALS AND TO VISIT OF AID/W TEAM IN OCTOBER FOR PREPARATION OF PUBLIC SCHOOL TRAINING CAP.

2. OUR RATIONALE FOR FOREGOING WAS TO AVOID TAKING ANY STEPS WHICH WOULD GIVE GOG GROUND FOR ALLEGATION THAT WE WERE BRINGING PRESSURE TO BEAR IN ADVANCE OF GOG'S DECISION ON ISSUES INVOLVED IN REYNOLDS CASE. AS DEPT. AWARE, PM BURNHAM AND SOME MEMBERS OF HIS CABINET ALREADY PURPORT TO SEE EVIDENCE THAT USG IS BRINGING PRESSURE TO BEAR IN IFIS (REFTEL B).

3. DEPARTMENT WILL HAVE NOTED THAT IN HIS STATEMENT OF SEPTEMBER 21 (REFTEL) JACK SAID TAX BILL WILL BE INTRODUCED SEPTEMBER 25. WE HAVE EVERY REASON TO BELIEVE THE BILL WILL
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GO THROUGH BOTH STAGES ON SEPTEMBER 25 ON SUSPENSION OF RULES AND

WILL PROBABLY BECOME LAW WITHIN A FEW DAYS THEREAFTER UPON SIGNATURE BY PRESIDENT CHUNG. BELIEVE IT IS ALSO REASONABLE TO ASSUME THAT REYNOLDS WILL REFUSE TO PAY THE FIRST INSTALLMENT OF ROUGHLY US DOLS 3.5 MILLION WITHIN THE 15-DAY GRACE PERIOD INDICATED IN MINISTER JACK'S STATEMENT AND THAT ISSUE WILL THEREFORE BE FORMALLY JOINED BY MID-OCTOBER.

4. ON BALANCE, I BELIEVE WE WILL BE BETTER OFF IN PSYCHOLOGICAL TERMS TO GO FORWARD WITH AID OPERATIONS ON MORE-OR-LESS NORMAL BASIS UNTIL ISSUE IS CLEARLY JOINED. THUS I WOULD NOT RPT NOT RECOMMEND CANCELLING TRAVEL OF ROBERT LAUBIS THIS WEEK. I WOULD ALSO PROPOSE TO GO AHEAD WITH THE RECEPTION I HAVE TENTATIVELY SCHEDULED ON OCTOBER 2 TO INTRODUCE MR. AND MRS. MUDGE. GUEST LIST WILL INCLUDE CABINET MEMBERS AND OTHER GOG OFFICIALS WITH WHOM AID HAS BEEN WORKING REGULARLY IN PAST. HOWEVER, WITH REGARD TO THE SUBSEQUENT VISIT OF AID/W TEAM FOR PREPARATION OF CAP, WOULD RECOMMEND THAT WE HOLD OFF FINAL DECISION UNTIL NEXT WEEK.

5. WILL APPRECIATE YOUR VIEWS ON FOREGOING, PARTICULARLY WITH REFERENCE TO OCTOBER 2 RECEPTION, SINCE INVITATIONS SHOULD GO OUT NO LATER THAN SEPTEMBER 25.
KREBS

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